

March 2nd, 2020

Wayne S. M. Ralph
Chief Operating Officer
CDS Clearing and Depository Services Inc.
100 Adelaide Street West
Toronto, Ontario
Email: wayne.ralph@tmx.com

Dear Mr. Ralph,

RE: CDS Proposal to Eliminate Fee Rebates and to Eliminate Network Connectivity Fees

Further to the recent notice posted and request for public comment on the proposal to eliminate both fee rebates and network connectivity fees, please accept this submission as feedback from Canaccord Genuity Corp., one of CDS/TMX's mid-size independent investment dealer participants.

For background, the CDS Post Trade Modernization Project (PTMP) has taken on several iterations over the past eight years. In 2012 there was community agreement through CDS's Strategic Development Review Committee (SDRC) that CDS's Corporate Action & Entitlement functionality needed improving.

Following an RFP for vendor selection, CDS launched what became known as the "BaNCS" project to enhance the corporate action module. At this time, progress on the list of development requests from participants all but ceased, as it was agreed to focus resource efforts into the BaNCS project. However, BaNCS for corporate actions was never delivered.

Over the following years TMX/CDS determined that a revamp of the CDSX clearing & settlement functionality would be wrapped into the BaNCS project. This development gave birth to the "Atlas" (clearing & settlement) and "Mercury" (corporate actions) projects, which had significantly expanded the scope of the initial BaNCS project.

Importantly, from 2012 to 2019, participants were advised by TSX/CDS that that none of the costs of the BaNCS project or the later additions of projects Atlas and Mercury would be borne by participants. While participants endorsed the corporate actions improvement initiative, it is worth noting that we did not advocate for changes to the clearing & settlement modules. In itself, we have only been provided with high-level detail of the identifiable benefits of these two additional modules.

Throughout this period, several million dollars was garnered for on-going development from participant fees annually. Development that has not been delivered.

It is therefore quite alarming that in late 2019 CDS announced that participants would be expected to support this additional cost, which had increased from the initial estimate of \$50 million to \$120 million directly impacting participants' budget and resource planning capabilities. Additionally, the notice does not provide any insight on how any budget over-run on this expanded project would be funded, or a vision for how future capital projects will be scoped, approved or funded and what level of transparency will be provided to participants.

While the proposed elimination of the Network Connectivity fee does indeed provide some offset, CDS has not articulated where the PTMP might provide more meaningful efficiency savings, which would counter the additional costs to participants.

It is our understanding that the Maple Recognition Order, which was introduced in 2012, was intended to provide a fair and stable fee structure for participants, whilst permitting the opportunity for the TMX to reposition CDS as a for-profit entity.

We believe it is reasonable for all market participants to expect that CDS provide a clear and definitive plan articulating the goal and scope of the project, the path forward, and a detailed discussion of the ongoing costs, including the expected fee rebates upon completion.

Canaccord Genuity Corp. recommendation:

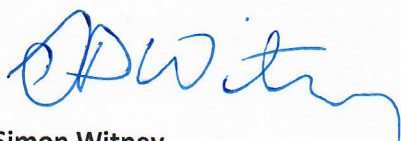
Before proceeding further, we implore that CDS are required to undertake the following:

1. An independent third-party audit of the CDSX platform. As has been identified, this platform provides critical infrastructure to the Canadian capital markets and its stability is paramount. A risk assessment should be provided to evaluate the platform's current stability and determine what is required to maintain future stability.
2. This stability assessment should be separated from a "wish list" review. If it is identified that the CDSX infrastructure is badly outdated and requires investment at a cost to participants, then the participants should be permitted the opportunity to review and approve a transparent project plan with scope, budget and timeframes clearly communicated.
3. If it is determined by the regulators that CDS be permitted to proceed with this project by allocating participant rebates towards the cost, then we propose a shared funding formula, where rebates are re-introduced at an agreed upon later date. Thus, the spirit of the Maple Recognition Order will be maintained.

Thank you for providing us with an opportunity to provide feedback on this proposal.

Sincerely,

CANACCORD GENUITY CORP.



Simon Witney
Senior Vice President Operations

cc.

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